

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE PRIORITY

AMEMBASSY SANTO DOMINGO

AMEMBASSY SAN SALVADOR

AMEMBASSY PORT AU PRINCE

AMEMBASSY MANAGUA

AMEMBASSY TEGUCIGALPA

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AMEMBASSY GUATEMALA

AMEMBASSY OTTAWA

AMEMBASSY CANBERRA

AMEMBASSY WELLINGTON

C O N F I D E N T I A L STATE 205545

STADIS//////////

E.O. 11652:GDS

TAGS: FADR, ETRD

SUBJECT: 1976 MEAT IMPORT PROGRAM

REF: STATE 203583

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1. FOLLOWING INFORMATION RELEVANT TO THE DECISION

ANNOUNCED IN REFTEL IS PROVIDED FOR YOUR BACKGROUND ONLY.

2. SECRETARY OF AGRICULTURE PROPOSED REGULATION IN RESPONSE TO PROBLEMS RAISED BY DOMESTIC CATTLE INDUSTRY. THIS INDUSTRY, PARTICULARLY THE FEEDER SECTOR, IS SUFFERING THROUGH AN EXTENDED PERIOD OF UNPROFITABLE OPERATIONS. THOUGH QUANTITY OF MEAT COMING THROUGH THE FOREIGN TRADE ZONE (FTZ) AT MAYAGUEZ IS SMALL RELATIVE TO DOMESTIC CONSUMPTION, THE DEPRESSED STATE OF CATTLE INDUSTRY HAS GIVEN THE FTZ OPERATION AT MAYAGUEZ, PUERTO RICO, IMPORTANT SYMBOLIC OVERTONES.

3. THE ROOT OF THIS PROBLEM IS THAT MEAT WHICH WOULD OTHERWISE BE SUBJECT TO THE RESTRAINT AGREEMENTS IS BEING PROCESSED IN THE FTZ SO THAT IT IS NO LONGER SUBJECT TO THOSE AGREEMENTS. THE AGREEMENTS, AS POSTS AWARE, COVER ONLY TSUS 106.10 AND 106.20 MEAT QUOTE ENTERED, OR WITHDRAWN FROM WARE HOUSE, FOR CONSUMPTION. UNQUOTE. UNDER

U.S. CUSTOMS LAW AND LAW CREATING FTZ'S, GOODS BROUGHT INTO THE FTZ ARE NOT QUOTE ENTERED FOR CONSUMPTION UNQUOTE UNTIL AFTER THEY HAVE BEEN PROCESSED INTO A DIFFERENT TSUS CATEGORY AND SHIPPED TO U.S. CUSTOMS TERRITORY. UP TO NOW, WE HAVE THEREFORE NOT COUNTED MEAT PROCESSED IN THE FTZ AGAINST RESTRAINT LEVELS IN THE AGREEMENTS. MOREOVER, UP UNTIL NOW AGRICULTURE HAS NOT COUNTED SUCH MEAT AGAINST THE GLOBAL TRIGGER LEVEL IN THE MEAT IMPORT ACT. (THE MEAT IMPORT ACT REQUIRES QUOTAS IF TOTAL U.S. IMPORTS REACH A SET LEVEL, WHILE INDIVIDUAL RESTRAINT AGREEMENTS ARE DESIGNED TO ENSURE THAT LEVEL IS NOT REACHED.) NEVERTHELESS, CATTLEMEN HAVE ARGUED STRONGLY THAT FTZ OPERATIONS CONSTITUTE EVASION OF PURPOSE OF MEAT IMPORT ACT AND EVASION OF RESTRAINT AGREEMENTS.

4. THOUGH WE HAVE TRIED, AND WILL CONTINUE OUR EFFORTS, TO FIND SOME ALTERNATIVE MEANS TO RESOLVE THIS PROBLEM, AGRICULTURE FELT COMPELLED TO PROPOSE THIS REGULATION IN THE CURRENT SITUATION. THE STATED AUTHORITY FOR THE PROPOSAL IS A PROVISION OF THE MEAT IMPORT ACT REQUIRING AGRICULTURE TO ISSUE REGULATIONS TO PREVENT CIRCUMVENTION

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OF THE MEAT ACT.

5. WE ARE AWARE THAT SUPPLYING COUNTRIES MAY ARGUE THAT AGRICULTURE'S PROPOSED RE-INTERPRETATION OF THE RESTRAINT AGREEMENTS IS A VIOLATION OF THE AGREEMENTS, EVEN THOUGH AUSTRALIA IS AT THIS TIME THE ONLY COUNTRY SHIPPING MEAT TO THE FTZ. WE ARE FURTHER CONCERNED THAT COUNTING FTZ MEAT AGAINST THE TRIGGER LEVEL IN THE MEAT IMPORT ACT

COULD UNDER CERTAIN CIRCUMSTANCES TRIGGER QUOTAS FOR ALL SUPPLYING COUNTRIES, ALTHOUGH THIS IS MORE SPECULATIVE.

6. FOREGOING IS STRICTLY FYI. YOU SHOULD REPORT, BUT NOT ENCOURAGE, ANY HOST COUNTRY REACTIONS TO THE PROPOSED REGULATION. WASHINGTON AGENCIES, INCLUDING STATE, WILL MAKE THEIR VIEWS KNOWN TO THE DEPARTMENT OF AGRICULTURE. PUBLIC COMMENT HAS ALSO BEEN INVITED. IF FOREIGN GOVERNMENTS WISH TO COMMENT ON THE PROPOSED REGULATION, WE BELIEVE THIS WOULD BE POSSIBLE, BUT YOU SHOULD NOT SOLICIT SUCH COMMENT. KISSINGER

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